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UNCLAS VILNIUS 000478

SIPDIS

SENSITIVE

STATE FOR INL AND EUR/NB
JUSTICE FOR OIA AND AFMLS
TREASURY FOR FINCEN

E.O. 12958: N/A

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SUBJECT: LITHUANIA REJECTS UKRAINIAN MONEY LAUNDERING
ALLEGATIONS

REF: VILNIUS 28

SUMMARY

1. The GOL dismissed recent allegations by Ukrainian Minister of Interior Yuri Lutsenko that Lithuanian banks laundered USD 130 million to support the losing presidential campaign of Viktor Yanukovich. The Ukrainian Embassy confirmed that there is no evidence to support the charges. Lithuanian banking officials rejected the possibility that such a large quantity of cash could have slipped through the system's money laundering controls undetected. Lithuanian law enforcement agencies have dropped the investigation. End Summary.

No Evidence of Dirty Money

2. A flurry of diplomatic and media attention followed publication of Ukrainian MinInt Lutsenko's April 13 statement that the election committee of former PM Viktor Yanukovich had laundered USD 130 million through "certain Lithuanian banks" during the 2004 Ukrainian presidential election campaign, but no trail linking Lithuanian banks to dirty campaign money has emerged. Mindaugas Kacerauskas, head of the Lithuanian MFA's Belarus, Moldova, and Ukraine Division, told us April 25 that he had assurances from the chairman of the board of the central bank that no cash transactions of that magnitude had passed through Lithuania's banking system. Oleksii Selin, Political Officer at the Ukrainian Embassy, confirmed that the Ukrainian government has no evidence that Yanukovich's campaign laundered money through Lithuanian banks. He said the Interior Minister made his remarks in an unofficial internet chat exchange, adding that the allegations do not reflect an official position. Selin noted that there have been transfers of large sums between branches of Vilniaus Bankas in Lithuania and Ukraine, transfers he characterized as legitimate.

No Investigation

3. Igoris Krzeskovskis, Head of FCIS's International Cooperation Department, told us that FCIS never received any formal or informal request from Ukraine to investigate money laundering charges. In a statement to the press April 15, he said that FCIS would not conduct a pre-trial investigation due to a lack of supporting evidence. The State Security Department reported April 20 that seven Lithuanian citizens might have been the victims of document theft and forgery, but it found no evidence that these individuals laundered money.

Tight Money Laundering Controls

4. The President of the Association of Lithuanian Banks called the Lithuanian banking sector "secure and transparent," and said that the money laundering charges are "baseless." The Law on the Prevention of Money Laundering (reftel) requires banks to report to the Financial Crimes Investigation Service (FCIS) any transaction exceeding 50,000 LTL (approx. USD 19,000). Chief counsel to the Bank of Lithuania, Liutaruas Zygas, told us that the Bank would revoke the license of any bank engaging in money laundering.

Comment

5. Lithuania's strict money laundering law, tight controls implementing the law, and solid record of law enforcement -- and the Ukrainian Embassy's recognition that there isn't any smoke in this story, much less fire -- lead us to believe

that the allegations of illegal transactions are groundless.

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